EXHIBIT 122

Oct-14-00 05 08pm From-HOGAN & HARTSON 410 539 6981 T-069 P 003/005 F-118

State of Maryland

MEDICAL CARE POLICY ADMINISTRATION
DEPARTMENT OF HEALTH AND MENTAL HYGIENE
201 WEST PRESTON STREET • BALTIMORE, MARYLAND 21201

Parris N. Glendening
Governor

Martin P. Wasserman, M.D., J.D.
Secretary

MEMORANDUM

To Joseph M Millstone, Director
Medical Care Policy Administration

From Jeffrey C Gruel Acting Chief
Division of Acute Care

Date April 16, 1997

RE Office of the Inspector General (OIG) Report on Pharmacy Acquisition Costs

Please refer to the attached memo from Janet Freeze commenting on the OIG Report on Pharmacy Acquisition Costs This memo is in response to your request for comments

For brand drugs, the Program usually reimburses for the ingredient cost at WAC-10% which is a little better for the pharmacist than AWP-10% This is more than the pharmacist's actual acquisition cost but is consistent with most other Medicaid Programs Of the state Medicaid Programs using AWP as a basis for EAC determination, 18 pay at AWP-10%. 9 pay better than AWP-10% (e.g AWP-5%) and 15 pay less than AWP-10% (e g . AWP-10 5%) I have included the page from the November 1996 National Pharmaceutical Council publication "Pharmaceutical Benefits under State Medical Assistance Programs" showing what the different states pay

Currently, amendments are in sign-off that would change the EAC determination to the lower of AWP-10%, WAC+10%, Direct+10% and Distributors+10% This is being done mainly to prevent the Program from paying over 20% more than it should for hemophilic preparations. Since the hemophilia patients will remain fee-for-service, this must be corrected as soon as possible This action will also have the effect of making most brand drugs reimbursed at the slightly lower AWP-10% rather than WAC+10%

The suggestion was made that unit dose products and home IV products should have IDC prices set on them Unit dose products have had IDC prices set for some time IDC prices for injections used in home IV products were established about two years ago

The suggestion to lower the overall Medicaid reimbursement rate and use the average manufacturers price (AMP) from the Federal Rebate Program would allow a more accurate method to determine the EAC However because of restrictions due to pricing confidentiality, this is not possible

The Medicaid reimbursement rate could be reduced by shaving a few more points off the AWP price One good reason for this would be to prevent the reimbursement rate for brand drugs being more attractive than for generics One of the Nursing home pharmacy providers actually complained that they make more money on brand products than generics Bringing the reimbursement for brand products closer to what the pharmacy actually pays would remove any incentive to steer doctors to prescribe drugs only available as brand This will remain important after the implementation of HealthChoice because most of the prescriptions will be from nursing homes where the pharmacy may have some influence on the prescribing But the Program did not change AWP-10% in the current regulation amendments due to the possibility of strong objections from pharmacy providers

cc Mr Frank Tetkoski